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Thank you very much for your contributions to the debate on 19 June 2019 following my Oral Statement on the introduction of the Government's Breathing Space scheme.

During the debate, you had raised concerns regarding the protections in place for guarantor loans. The FCA has imposed specific obligations on firms with regards to guarantors, including treating guarantors fairly and with forbearance if they are in financial difficulty. The FCA introduced rules to require firms to provide adequate pre-contractual explanations to guarantors and to assess the guarantor's creditworthiness. In July 2018, the FCA published a policy statement with new rules and guidance for creditworthiness assessments. The FCA's rules strengthened consumer protection and clarified that firms should consider not just whether a customer will repay, but the customer's ability to repay affordable and without significantly affecting their wider financial situation.

More broadly, the Consumer Credit Act 1974 (CCA) sets out that a guarantee provided in relation to a regulated credit agreement should be expressed in writing, and it is not properly executed unless a document in the prescribed form containing the prescribed terms is signed by, or on behalf of, the guarantor. The guarantor should be provided with the guarantee and copy of the credit agreement at the time the agreement is made or within 7 days. Crucially, if the agreement is not properly executed it can only be enforced by a court order.

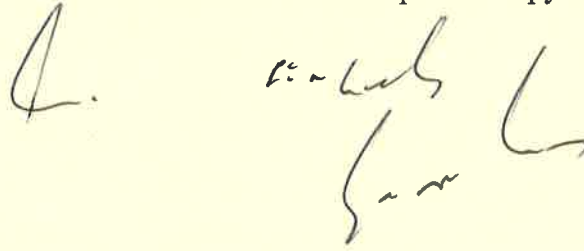
The CCA also sets out specific rules which require the creditor to provide information to the guarantor if requested. This includes: the total sum which has become payable under the agreement by the debtor but remains unpaid, and the various amounts comprised in that total sum, with the date when each became due.

In addition, you had also asked whether the FCA would take action to cap the cost of guarantor loans. The Government has given the FCA the power to cap the cost of credit, and the FCA will do so if it thinks it is necessary to protect consumers. The FCA has used this power on two occasions. The Government legislated to require the FCA to introduce a cap on the cost of payday loans, which came into force on 2 January 2015. More recently, the FCA announced that it will introduce a price cap on rent-to-own agreements, which came into force on 1 April 2019. The FCA has said that it will keep the issue of capping the cost of credit in other markets under review.

I hope this letter provides you with reassurance that the FCA takes action when it deems it

necessary, and that there are protections already in place for consumers that take out guarantor loans.

I am copying this letter to Lord Stevenson of Balmacara and will also place a copy in the House library.

A handwritten signature in dark ink, appearing to read 'L. Young of Cookham'. The signature is written in a cursive style with a large initial 'L' and a long horizontal stroke at the end.

LORD YOUNG OF COOKHAM